

**MINORITY VIEWS OF RANKING DEMOCRATIC MEMBER**  
**SENATOR FRANK R. LAUTENBERG**

Democrats believe that the budget should address the needs of ordinary Americans and prepare our nation for the future. It should strengthen Social Security and Medicare. Provide prescription drug coverage for our seniors. Invest in education, health care, defense and other compelling needs. Provide targeted tax cuts for the middle class. And, perhaps most importantly, it should maintain fiscal discipline, reduce our debt, and protect our nation's economic prosperity.

This budget resolution fails to meet these goals. It would use virtually the entire non-Social Security surplus for tax breaks that disproportionately benefit the wealthy. It would require deep, unrealistic cuts in domestic priorities, such as education and health care. It proposes far less debt reduction than the budgets developed by President Clinton and Senate Democrats. It fails to require congressional committees to produce legislation establishing a prescription drug benefit (though it does require the Finance Committee to produce legislation establishing tax breaks). Finally, by covering only five years, unlike the ten years included last year, the resolution hides its long-term costs and weakens fiscal discipline.

Let me address each of these points in turn.

The Congressional Budget Office (CBO) says that, over the next five years, the non-Social Security surplus will be \$171 billion. This assumes that Congress freezes discretionary spending at current real levels. (Note that if Congress increases domestic spending at the same rate as in recent years, which has been higher than inflation, the actual surplus would be much smaller.)

The budget resolution calls for tax breaks of \$150 billion over five years, at a minimum. But this reduction in future surpluses also would require the government to pay \$18 billion more in interest payments. Thus, the real cost of the tax breaks is \$168 billion – virtually the entire non-Social Security surplus of \$171 billion.<sup>1</sup>

One might ask: if the tax breaks use virtually the entire non-Social Security surplus, how can the resolution also provide funding for any of the new initiatives it claims, such as increases in military spending, prescription drug coverage, agriculture risk management reform, payments to counties, nuclear waste disposal activities, and various other claims of increases in discretionary programs?

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<sup>1</sup>In fact, the resolution includes a reserve fund that could allow the actual cost of the tax breaks to exceed \$200 billion if the Congressional Budget Office (CBO) adjusts its budget projections later this year.

The real answer is: it cannot. There is no way to fit all this new spending in the roughly \$3 billion remaining of the non-Social Security surplus.

The majority seeks to sidestep this problem by assuming huge, unspecified cuts in domestic programs. The resolution calls for a 6.5 percent cut in nondefense discretionary programs over the next five years. The cut would be 8.2 percent by the fifth year. In fact, since the resolution claims to protect some specific programs, the cuts in other areas could be well over ten percent.

Cuts of this magnitude are completely unrealistic and will never happen. If they ever were proposed in a serious, specific way, most Americans, including Republicans and Democrats, would strongly oppose them.

This is not the first time that Republicans have assumed deep, unspecified cuts in a budget resolution. Last year's resolution included similarly unrealistic assumptions. Not surprisingly, by the end of the year, the Republican Congress had approved appropriations bills spending about \$35 billion more than it assumed earlier. No doubt something similar will happen this year.

Unfortunately, the Republican budget relies on these unrealistic cuts for its various increases in mandatory spending, such as the aid to farmers, drugs, and other entitlements. The cost of those increases, \$62 billion, would be locked in up front. The savings, however, would not. When Congress later fails to make the assumed cuts in appropriations bills, funds for these new entitlements will come from Social Security.

One might think that assumptions of deep, unrealistic cuts in discretionary spending would allow the Republicans to claim significantly more debt reduction than the budgets proposed by Democrats. However, even if one assumes that the GOP spending cuts actually materialize, which is extremely unlikely, the Republican budget still would reduce much less debt than President Clinton and Senate Democrats.

The Republican plan would use non-Social Security surpluses to reduce only \$19 billion of debt over five years, according to initial staff estimates. By contrast, the President's budget would reduce \$90 billion of debt over the same period – nearly five times as much.

This difference in debt reduction helps show just how extreme the GOP tax breaks really are.

Throughout the markup, Republicans claimed that their budget contains over \$1 trillion of debt reduction. However, this figure is based almost entirely on Social Security surpluses. These surpluses are "off-budget" and both parties have committed to protecting them. Yet when it comes to the portion of the budget that remains subject to congressional discretion, Republicans have refused to devote significant resources for debt reduction. In so doing, they have rejected repeated calls by Federal Reserve

Chairman Alan Greenspan to make debt reduction our “first priority.”

My next concern about the budget resolution is that it fails to require congressional committees to produce legislation establishing a prescription drug benefit. This is in marked contrast with its treatment of tax breaks, which the resolution’s reconciliation instructions require the Finance Committee to produce.

I am very pleased that Democrats, led by Senator Wyden, were able to join with two Republicans, Senators Snowe and Smith, to strengthen the reserve fund originally included in the legislation by Chairman Domenici. The Chairman’s mark reserved only \$20 billion for prescription drugs, and contained restrictions that effectively undermined its stated goal. Fortunately, we were able to increase the total to \$40 billion, and eliminate problematic language in the Chairman’s proposal that could have forced deep Medicare cuts targeted at beneficiaries.

Still, the resolution’s commitment to prescription drugs remains far less strong than its commitment to tax breaks. And that is a concern, given resistance from the Republican leadership to a meaningful, universal benefit. When the budget resolution reaches the Senate floor, I hope we can take steps to ensure that a prescription drug bill will actually be reported by the appropriate committee, and that it is not subject to unreasonable delays before the full Senate acts.

My final concern about the budget resolution is that it covers only five years, not the ten included in last year’s resolution. This has the effect of hiding the long-term cost of its tax breaks. It also weakens the budget resolution as a means of enforcing long-term fiscal discipline, since points of order would not be available against tax breaks that explode in cost after five years.

During markup, it was suggested that the budget resolution should cover only five years because CBO produces only five-year estimates. This simply is not true. In fact, since last year, CBO has been producing ten-year projections. There thus no longer is a good excuse to restrict the budget resolution to only five years.

Considering that we are facing huge new liabilities when the baby boomers retire, we need to think long-term. And we need to take all long-term costs into account when establishing and enforcing fiscal policy.

During the markup, I offered an alternative budget that covered ten years, and that reflected Democratic priorities. Our alternative would have reduced \$330 billion in debt over ten years, while providing almost \$300 billion in targeted tax cuts. Unlike the GOP plan, it proposed realistic levels of discretionary spending, including President Clinton’s full requests for education and defense spending. It also reserved funding for important initiatives, such as health coverage for the uninsured. Unfortunately, our alternative was defeated on a party-line vote.

In conclusion, the Republican budget fails to prepare for our future, or to address the needs of ordinary Americans today. It allocates virtually the entire non-Social Security surplus for tax breaks. It would require drastic, unrealistic cuts in domestic programs like education and health care. It fails to make debt reduction a priority. It fails to ensure prompt action to provide prescription drugs to seniors. And it fails to maintain fiscal discipline for the long term.

For all these reasons, I joined with all Democrats on the Budget Committee in opposing this resolution. And I look forward to working with colleagues on both sides of the aisle in an effort to improve the resolution before its approval in the Senate.

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